

SCOTTSDALE TRANSPORTATION COMMISSION REPORT

To: Transportation Commission
From: Greg Davies, Senior Transportation Planner
Subject: Proposition 400 – Arterial Life Cycle Program
Meeting Date: January 19, 2017



ITEM IN BRIEF

Action: No action, Information and Discussion only

Purpose:

Provide an overview of the Proposition 400 Arterial Life Cycle Program (ALCP).

Background

On November 2, 2004, voters of Maricopa County approved Proposition 400 which continued the half-cent sales tax for an additional 20 years (January 1, 2006 to December 30, 2025). In September 2016, Transportation staff presented overviews to the Transportation Commission for two of three primary programs partially funded by the regional Proposition 400 half-cent sales tax - the Transit Life Cycle Program (TLCP) and Freeway Life Cycle Program (FLCP). Each Life Cycle Program is reviewed and updated annually and occasionally more frequently to balance tax revenues with expenditures as required by the State Legislature. Projects in the three Life Cycle Programs along with total funding sources are also contained in the Maricopa Association of Governments (MAG) Regional Transportation Plan (RTP), the region's blueprint for all transportation expenditures.

This presentation will provide an in depth look at the third program, the Arterial Life Cycle Program (ALCP).

Regional Transportation Plan

The Regional Transportation Plan includes all transportation projects; however, the plan is funded only in part by the half-cent sales tax. Only half of the funding needed for implementing the plan comes from the half-cent sales tax. The remaining funds include Maricopa Association of Governments federal funds, Federal Transit Administration funds through City of Phoenix, Highway funds through the Arizona Department of Transportation, and local funds from individual jurisdictions.

Regional Transportation Plan total funding from all sources for each of the three programs is shown in Figure 1. Figure 2 shows only the amount of half-cent sales tax allocated by program. The figures illustrate how significant the half-cent sales tax is to the region's overall program of projects.

Figure 1
Regional Transportation Plan – Total Funding by Program
(billions)

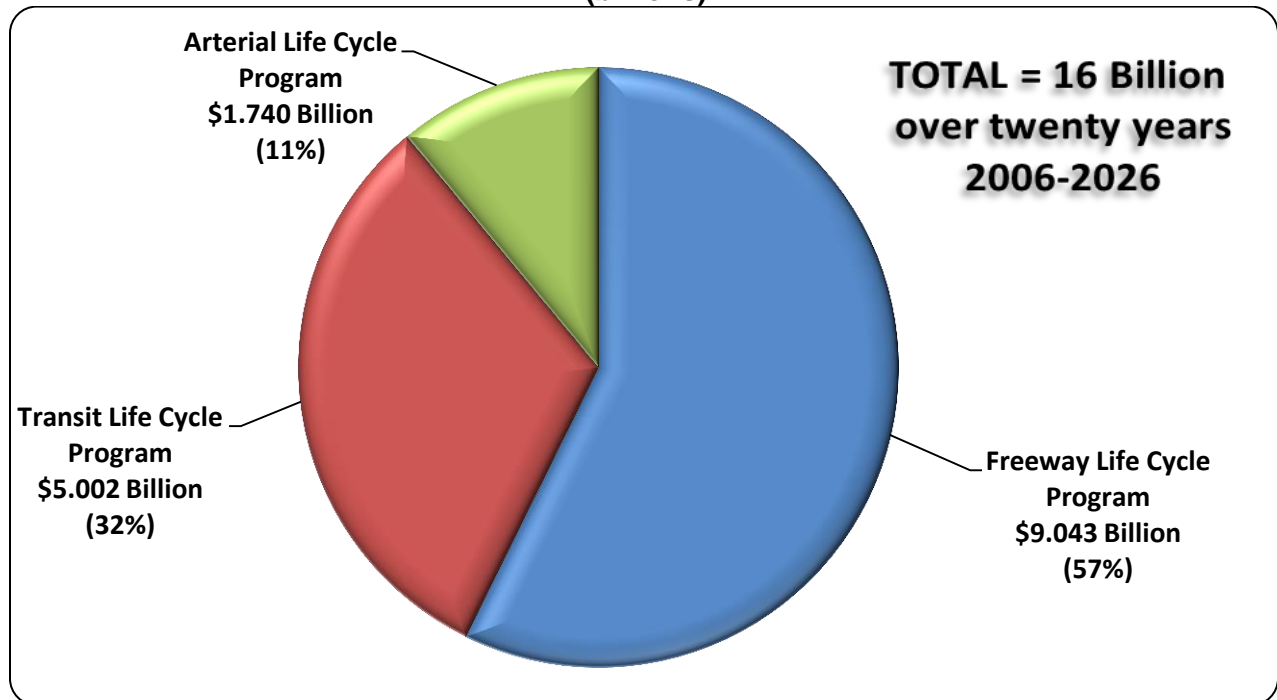
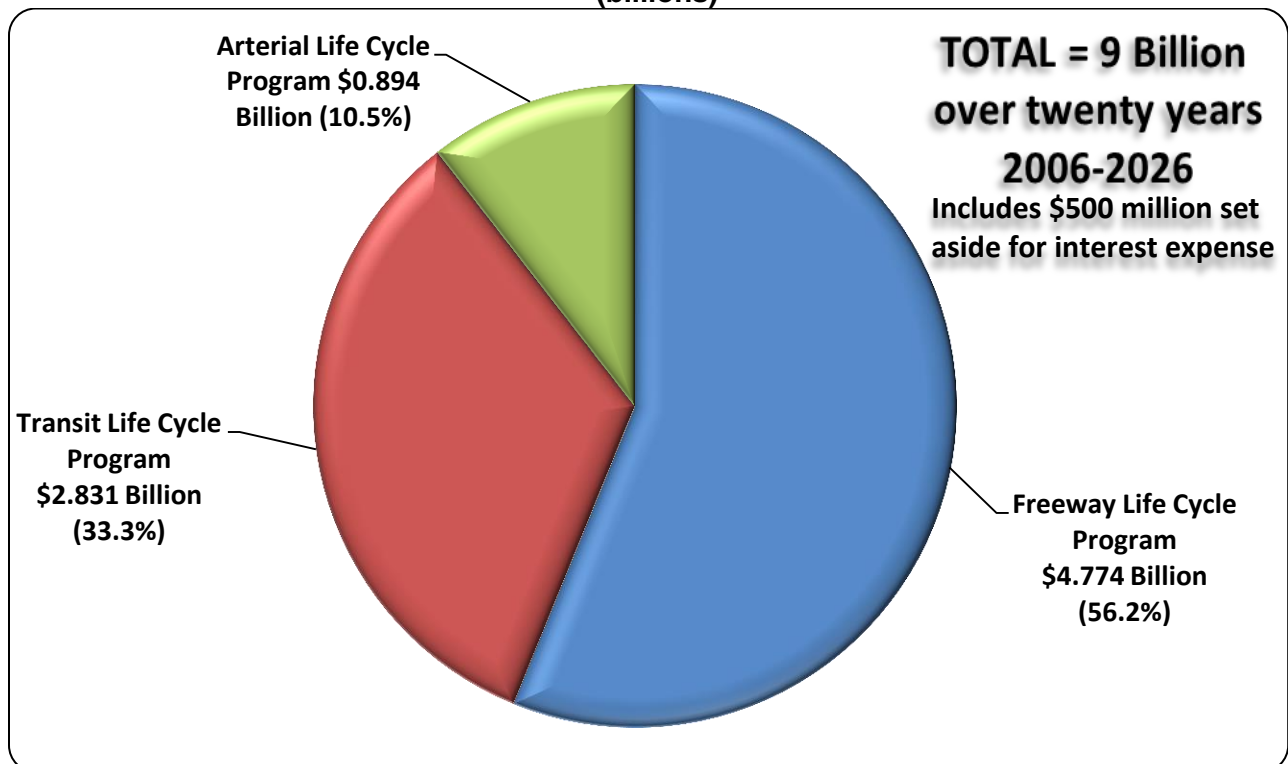


Figure 2
Regional Transportation Plan – Half-Cent Sales Tax by Program
(billions)



Arterial Life Cycle Program Design and Funding Requirements

The half-cent sales tax is estimated to contribute approximately \$894 million to the ALCP over the 20-year life of the tax (see Figure 2). The ALCP projects are divided into four phases of implementation based on five-year increments: (Phase I - FY 06 to FY 10; Phase II - FY 11 to FY 15; Phase III - FY 16 to FY 20; and Phase IV - FY 21 to FY 26). The program documentation provides information for each project in each phase, including location, funding, year of work, type of work, status of project and lead agency.

After initiation of the program in 2004, policies and procedures were developed in coordination with the MAG Transportation Review Committee. These policies and procedures are consistent with the requirements of House Bill 2456 passed in 2004 related to the development of the RTP and Proposition 400 funding. In addition, procedural requirements for projects funded by the half-cent sales tax were developed.

There are three required procedures for agencies to complete a project programmed in the ALCP. Participating agencies must provide a:

1. Project Agreement (PA), which defines the requirements and roles for the agency regarding the implementation of the project.
2. Project Overview (PO), which defines the project scope of work and ensures alignment with the intent of the RTP.
3. Project Reimbursement Request (PRR) which is submitted by the agency for fund reimbursement.

One very important relevant policy is in Section 310: ALCP Project Budgets - which states that each ALCP project is limited to the regional contribution amount specified in the ALCP for the project, or 70 percent of the total project expenditures, whichever is less. Essentially, the Proposition 400 half-cent sales tax will pay a maximum of 70 percent for the cost of each project and each participating agency pays a minimum of 30 percent local contribution.

Scottsdale ALCP Projects

During the development of the 2003 Regional Transportation Plan, Scottsdale identified (45) projects for future inclusion in the ALCP. To date, Scottsdale has completed nine (9) of these projects (see Table 1). Currently, there are (36) projects remaining in the ALCP (see Table 2).

**Table 1 – Scottsdale Completed ALCP Projects
(millions)**

Project	ALCP Funds	City Funds	Total Cost	Year Completed
Pima Rd: Thompson Peak Pkwy to Pinnacle Peak Rd.	\$17.8	\$7.6	\$25.4	2012
Loop 1091 North Frontage Rd.: Hayden Rd. to Scottsdale Rd.	\$3.7	\$1.6	\$5.3	2009
Frank Lloyd Wright Blvd. at 76th/78th/82nd St. Intersection Imp.	\$0.4	\$0.2	\$0.6	2014
Scottsdale Rd.: Thompson Peak Pkwy to Pinnacle Peak Rd.	\$9.1	\$3.9	\$13.0	2015
Shea Blvd. at 90th/92nd/96th St. Intersection Improvements	\$4.1	\$1.7	\$5.8	2010
Shea Blvd. at Via Linda (Phase I) Intersection Improvements	\$0.6	\$0.3	\$0.9	2009
Shea Blvd. at 120th/124th St. Intersection Improvements	\$0.2	\$0.1	\$0.3	2012
Shea Blvd. at Mayo/134th St. Intersection Improvements	\$0.2	\$0.1	\$0.3	2009
Shea Blvd.: Loop 101 to 96th St. ITS Improvements	\$0.3	\$0.1	\$0.4	2012
Total	\$36.4	\$15.6	\$52.0	

**Table 2 – Scottsdale Remaining ALCP Projects
(millions)**

Project	ALCP Funds	City Funds	Total Cost	Program Year(s)	ALCP Phase
*Raintree Dr.: Scottsdale Rd. to Hayden Rd.	\$16.0	\$6.8	\$22.8	2016-2018	III
*Redfield Rd.: Raintree Dr. to Hayden Rd.	\$1.5	\$0.6	\$2.1	2017-2018	III
*Raintree Dr.: Hayden Rd. to L101	\$6.3	\$2.7	\$9.0	2018-2019	III
*Southbound L101 Frontage Rd. Connections	\$3.1	\$1.3	\$4.4	2016-2017	III
*Pima Rd.: Via Linda to Via De Ventura	\$1.3	\$0.6	\$1.9	2016-2018	III
*Pima Rd.: Krail to Chaparral Rd.**	\$9.5	\$1.6	\$11.1	2017-2019	III
*Pima Rd.: Pinnacle Peak Rd. to Happy Valley Rd.	\$16.0	\$6.9	\$22.8	2017-2022	III, IV
Pima Rd.: Happy Valley Rd to Dynamite Rd.	\$23.7	\$10.2	\$33.9	2023	IV
Pima Rd.: Dynamite Rd. to Stagecoach Rd.	\$37.9	\$16.2	\$54.1	2023	IV
Pima Rd.: Stagecoach Rd. to Cave Creek Rd.	\$4.9	\$2.1	\$7.0	2023-2024	IV
Pima Rd.: Chaparral Rd. to Thomas Rd.	\$6.3	\$2.7	\$9.1	2023	IV
Pima Rd. Thomas Rd. to McDowell Rd.	\$6.1	\$2.6	\$8.8	2023	IV
*Miller Rd. Underpass	\$14.0	\$6.0	\$20.0	2022-2023	IV
Happy Valley Rd.: Pima Rd. to Alma School Rd.	\$6.9	\$3.0	\$9.9	2023	IV
Carefree Hwy: Cave Creek Rd. to Scottsdale Rd.	\$8.0	\$3.4	\$11.4	2024-2026	IV
Frank Lloyd Wright Blvd at L101 Interchange	\$6.0	\$2.6	\$8.5	2023	IV
Raintree Dr. at L101 Interchange	\$3.2	\$1.4	\$4.5	2023	IV
Frank Lloyd Wright Frontage: Northsight to Greenway-Hayden	\$7.7	\$3.3	\$11.1	2023-2024	IV
Hayden Rd. at L101 Interchange	\$11.5	\$4.9	\$16.4	2023-2026	IV
Scottsdale Rd.: Thompson Peak Pkwy to Jomax Rd. (2 projects)	\$7.9	\$3.4	\$11.3	2023	IV
Scottsdale Rd.: Jomax to Carefree Hwy. (3 projects)	\$28.5	\$12.2	\$40.7	2023-2024	IV
Shea Blvd.: L101 to SR 87 (11 intersection projects)	\$17.2	\$7.4	\$24.6	2023-2026	IV
Legacy Dr.: Hayden Rd. to 88th St.	\$2.0	\$0.9	\$2.9	2025	IV
Total	\$245.5	\$102.8	\$348.3		

**Salt River Pima Maricopa Indian Community paying the remaining local contribution of \$3.5 million.

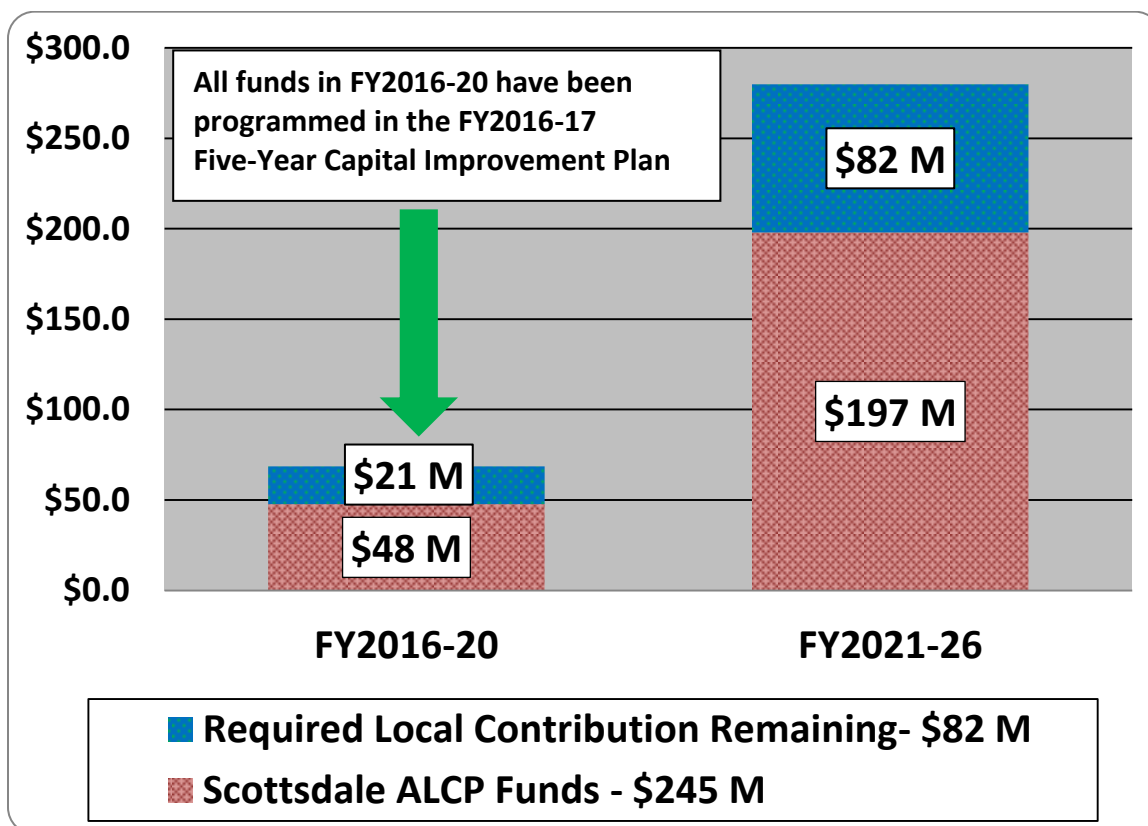
Future Funding Issues

For Scottsdale to complete these remaining 36 projects it would require the identification of an additional \$82 million in local funding in conjunction with \$197 million available in regional funding. In the FY 2016-17 Five-Year Capital Improvement Plan, a total of \$21 million has been programmed as local contribution and \$48 million in reimbursable regional funds for eight more ALCP projects in Phase III (FY 16 through FY 20) totaling \$69 million in funds. Those projects funded in Phase III are denoted with an asterisk in Table 2.

The Great Recession (2008-2011) had a major impact on all jurisdictions. Several Scottsdale projects were delayed to future years because Scottsdale contribution funds were not available. Now there is concern that local jurisdictions (Scottsdale included) will not be able to provide their required funding contribution for projects. The problem has magnified recently because of increased construction costs.

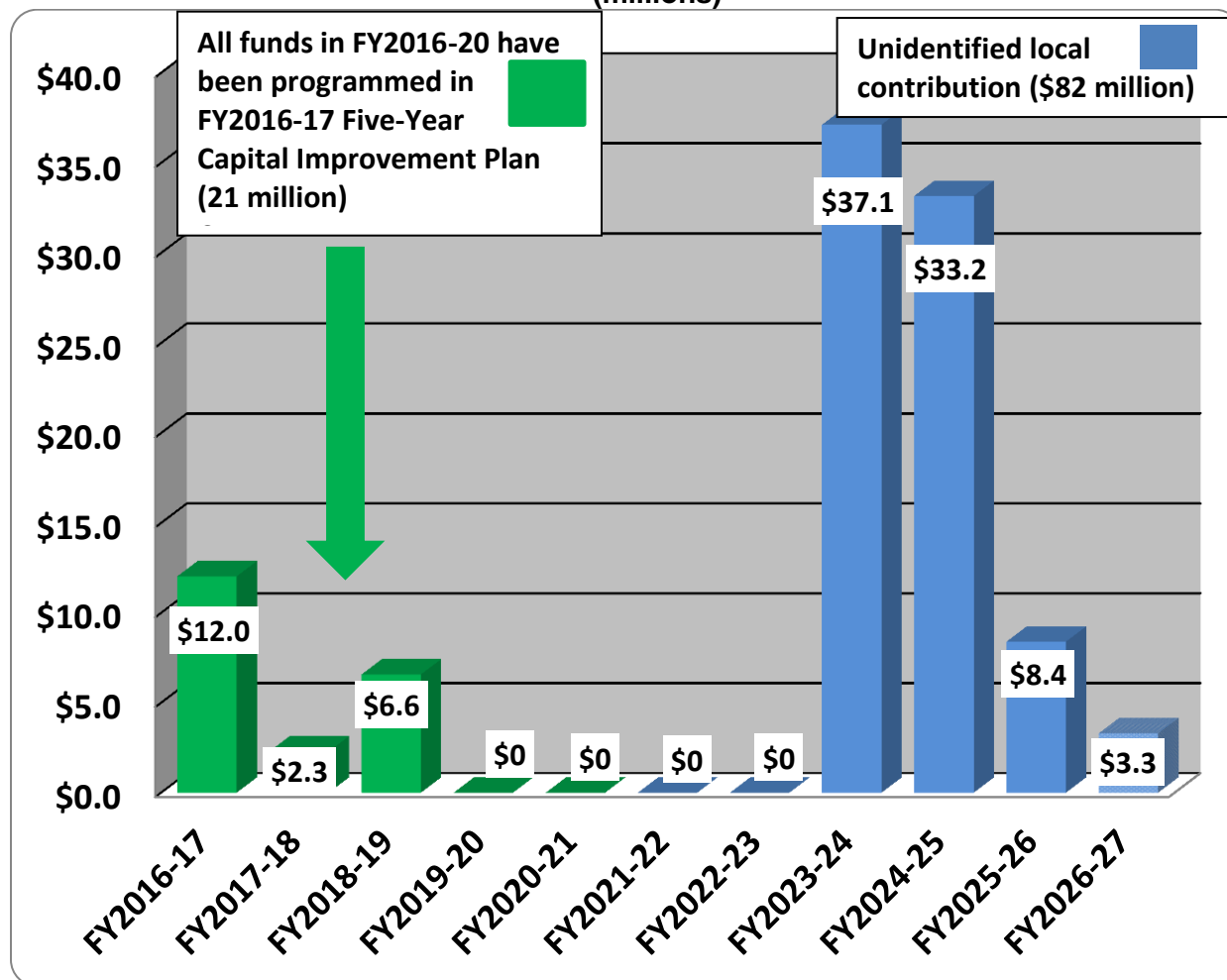
In an effort to complement Scottsdale's local transportation sales tax revenues, and to reestablish funds for necessary projects, Scottsdale brought forth two transportation bond initiatives in 2013 and 2015 to Scottsdale voters. Both bond initiatives failed. The limited revenue the City's transportation sales tax provides has forced Scottsdale to continue to delay ALCP projects into the later years of the program. Figure 3 shows Scottsdale's required contribution to ALCP projects over the remainder of the program. The chart separates funding in the remaining two phases of the ALCP.

Figure 3
Scottsdale Arterial Life Cycle Program
(millions)



The primary concern regarding the funding of the ALCP is the required 30 percent contribution from Scottsdale which totals \$82 million between FY 21 and FY 26. This deficit occurs in the last phase of the ALCP as a result of Scottsdale delaying projects to the final five years. The reprogramming of projects in the ALCP into later years has not solved the funding problem, but has provided more time for Scottsdale to discover additional revenues. Figure 4 shows the required Scottsdale contribution over the remaining ten years of the ALCP by year.

Figure 4
Scottsdale Arterial Life Cycle Program 2016-2026
Required Local Match by Year
(millions)



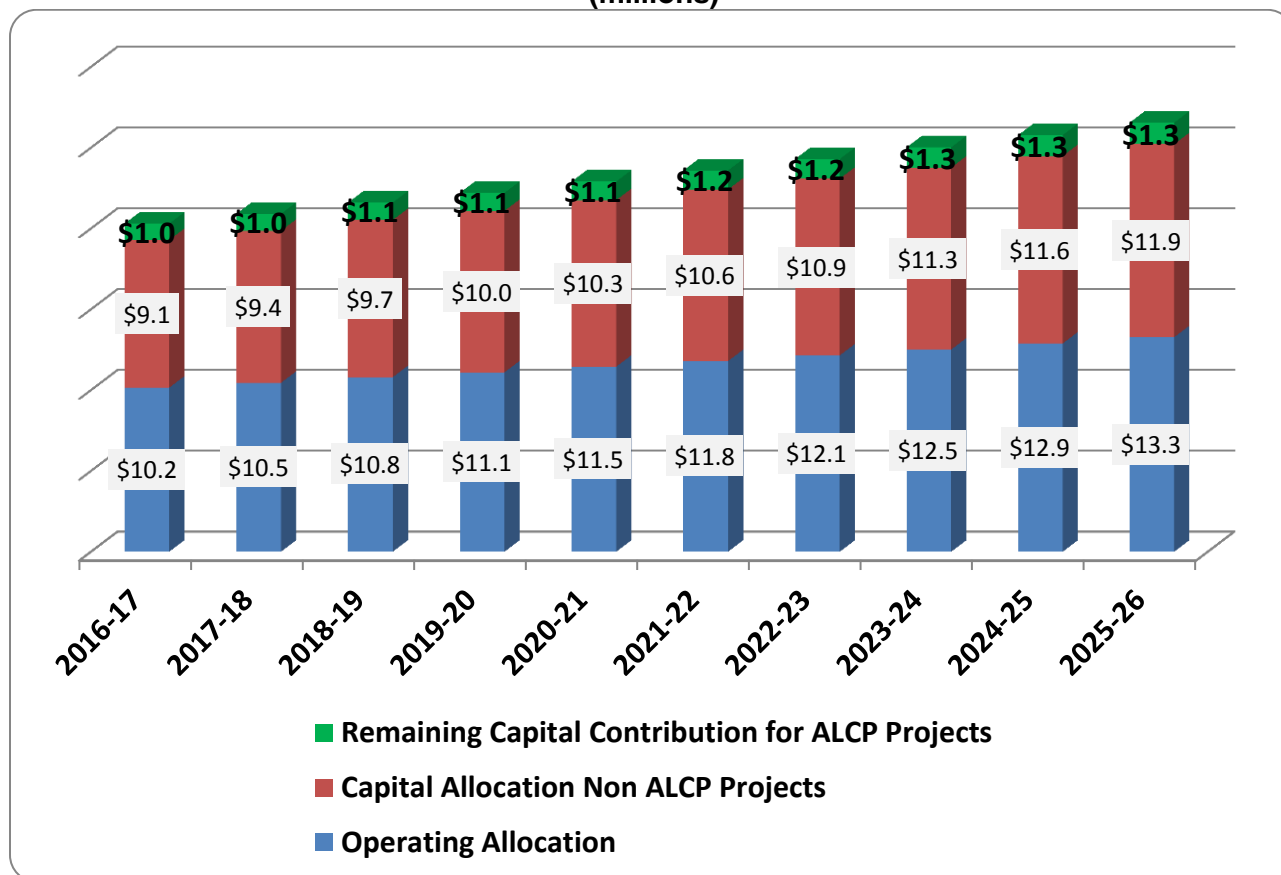
The primary sources that fund the Transportation Program include previous bond funding and the Scottsdale transportation sales tax (approximately \$20 million per year and allocated at a ratio of 50 percent for operations and 50 percent for capital).

Approximately 90 percent or \$9 million (as shown in FY2016-17 – see Figure 5) of the capital revenues are allocated to a majority of non ALCP projects per year. Figure 5 shows the allocation of the Scottsdale transportation sales tax for the next ten-year period for operating and capital expenses. It also indicates the remaining funds that could be used as a contribution for ALCP projects.

Table 3 includes a summary of data shown in Figure 5 and includes a ten-year forecast of Scottsdale transportation sales tax and the remaining amount of available contribution funds. If Scottsdale continues to use the same CIP programming methodology for the remaining ten years of the ALCP, only a forecasted \$11.6 million would be allocated to the \$82 million funding deficit. If the

city of Scottsdale does not provide its 30 percent contribution to the ALCP projects, then the Proposition 400 half-cent sales tax (70 percent contribution funds) would be returned to the region for use by other municipalities.

Figure 5
Allocation of Scottsdale Transportation Sales Tax 2016-2026
(millions)



Note: FY2016-17 funds adopted in FY 2016-17 Five-Year Capital Improvement Plan

Table 3
Summary Table - Allocation of Scottsdale Transportation Sales Tax 2016-2026
(millions)

Forecast	
Transportation Sales Tax (0.20%)	\$233.1
Operating Allocation	(\$116.7)
Capital Allocation Non ALCP Projects	(\$104.8)
Remaining Capital Contribution funds for ALCP Projects	\$11.6
Balance	\$0.0
Remaining Unidentified Contribution	\$82.0 - \$11.6 = \$70.4

Note: FY2016-17 funds adopted in FY 2016-17 Five-Year Capital Improvement Plan

Summary

Scottsdale currently has (36) projects programmed in the ALCP which is scheduled to end in FY 26. The ALCP funds 70 percent of the project costs, requiring a 30 percent contribution from Scottsdale. A project must be fully programmed in the Scottsdale Capital Improvement Plan before the Maricopa Association of Governments provides project reimbursements. Currently, \$69 million is programmed in the Scottsdale FY 2016-17 Five-Year Capital Improvement Plan for eight ALCP projects. This \$69 million is composed of \$21 million in Scottsdale transportation sales tax and \$48 million in Proposition 400 half-cent sales tax.

To fund the remainder of the Scottsdale ALCP, Scottsdale will need to program \$279 million in the Capital Improvement Plan (CIP) over the next ten years. Of this \$279 million, \$197 million would be provided by the Proposition 400 half-cent sales tax and \$82 million would be the required Scottsdale contribution.

Identifying funds to fully fund the remainder of Scottsdale's ALCP program is a significant challenge. If Scottsdale continues to use the historic funding methodology for the CIP for the remaining ten years of the ALCP, only a forecasted \$11.6 million will be available, whereas \$82 million is the identified deficit.

Maricopa Association of Governments has stipulated that funds programmed prior to 2026 must be spent by 2026 or participating agencies will forfeit their Proposition 400 half-cent sales tax funding. If Scottsdale cannot fund the required contribution of \$82 million, Proposition 400 half-cent sales tax funding in the amount of \$197 million will return to the region. If another regional sales tax is adopted, Scottsdale may have the option to extend regional funding into future years if allowed in the new program.

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